

**TITLE OF REPORT: ITEM REFERRED FROM FINANCE, AUDIT AND RISK COMMITTEE: 10 DECEMBER 2015 – RISK MANAGEMENT UPDATE**

*The following is an extract from the Draft Minutes of the Finance, Audit and Risk Committee meeting held on 10 December 2015.*

**45. RISK MANAGEMENT UPDATE**

The Performance and Risk Manager presented a report which provided an update on Risk Management.

In relation to the “Office Accommodation” Top Risk, the Performance and Risk Manager advised that, due to capacity issues and the project entering into the implementation phase in 2016, the likelihood of the risk had increased from a 2 to a 3. In the event of capacity causing delays to the project, a Financial Risk had been included within the Budget for 2016/17 to enable additional support to be acquired if needed.

In respect of the Waste and Street Cleansing Top Risk, the Performance and Risk Manager stated that this Top Risk had a number of sub-risks that recorded what the Council needed to consider, such as the complex and evolving statutory environment for waste and recycling and changes in the disposal infrastructure and opportunities for collaborative working. The sub-risk of “Sale of Materials” had an increased likelihood score (moving from a 2 to a 3), but the overall assessment of the main risk currently remained unaltered.

The Performance and Risk Manager commented that the descriptions of the above two Top Risks were attached at Appendix A to the report. The descriptions included completed and proposed measures and work to mitigate these risks.

The Performance and Risk Manager explained that the Risk and Opportunities Management Strategy was not due for review at the present time as it covered the period 2014-17. However, due to the changes to the Council’s Strategic Objectives for 2016, the Strategy had been amended to reflect these changes. As this amendment was relatively minor and no fundamental changes were proposed to the risk management framework at the Council, the revised Strategy had not been appended to the report.

In response to a question, the Strategic Director of Finance, Policy and Governance stated that the Churchgate and surrounding area was shown as a medium risk, as Hammersmatch had exclusivity for development of the site until 31 December 2015. A Committee Member commented that, because of a lack of information provided to councillors (other than those on the Project Board), he was unable to make an assessment as to whether or not that risk assessment level was accurate.

The Strategic Director of Finance, Policy and Governance undertook to investigate the likelihood of whether or not the housing of Syrian refugees in the District would in future appear in the list of risks.

**RECOMMENDED TO CABINET:** That the increased assessment of the likelihood of the “Office Accommodation” Top Risk be approved.

**RESOLVED:**

- (1) That the increase in likelihood of the “sale of materials” sub-risk to the “Waste and Street Cleansing Contract Renewal” Top Risk be noted; and

- (2) That the minor changes that have been made to the Risk and Opportunities Management Strategy and Policy be noted.

**REASON FOR DECISION:** To comply with the requirements of the Risk and Opportunities Management Strategy.

***The following is the report considered by the Finance, Audit & Risk Committee at its meeting held on 10 December 2015.***

## **TITLE OF REPORT: RISK MANAGEMENT UPDATE**

### **REPORT OF THE HEAD OF FINANCE, PERFORMANCE & ASSET MANAGEMENT**

#### **1. SUMMARY**

- 1.1 To provide the Committee with an update on the management of the Strategic/Corporate risks owned by the Senior Management Team (SMT) and Cabinet.

#### **2. RECOMMENDATIONS**

- 2.1 That the Committee notes and refers to Cabinet the increased assessment of the likelihood of the "Office Accommodation" Top Risk.
- 2.2 The Committee notes the increase in likelihood for the "sale of materials" sub-risk to the "Waste & Recycling Contract Renewal" Top Risk.
- 2.3 That the Committee notes minor changes have been made to the Risk and Opportunities Management Strategy and Policy.

#### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 The responsibility for ensuring the management of the risks referred to in Section 2 of this report is that of Cabinet.
- 3.2 This Committee has responsibility to monitor the effective development and operation of risk management.

#### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 There are no alternative options that are applicable.

#### **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Consultation has been undertaken with SMT and the Risk Management Group (this includes Councillor T Hone as Risk Management Member 'champion') and these recommendations were supported. Lead Officers discuss these risks with the relevant Executive Member.

#### **6. FORWARD PLAN**

- 6.1 This report does not contain a recommendation on a key decision and has not been referred to in the Forward Plan.

#### **7. BACKGROUND**

- 7.1 At the September meeting, the Finance, Audit and Risk Committee agreed to the following:
- An increase in likelihood of the "Increased Homelessness and use of Bed & Breakfast" risk plus a change from an SMT to a Cabinet Top Risk.
  - An increase in likelihood of the "Managing the Council's Finances" Top Risk.

- The introduction of a new sub-risk to the “Waste & Recycling Renewal” risk of the “Sale of Materials”.

7.2 The Top Risks have been reviewed and agreed by SMT. All of the Top Risks are summarised on the Risk Matrices in Tables 1 and 2. Members are able to view the current risk descriptions on Covalent, the Council’s performance and risk management software.

7.3 The Council’s Risk and Opportunities Management Strategy describes the role of this Committee to “oversee the effective management of risk by the Council by receiving and considering the Top Risks and risk management reports. Any changes to the Top Risks are referred to Cabinet”.

7.4 The “Office Accommodation” Top Risk is identified as a key project in 2015/16. It supports the priority of “Living within our Means”.

## **8. REVISED TOP RISKS**

8.1 The following top risks have had changes to their assessments so have been highlighted in this report.

### **8.1.1 Office Accommodation**

Due to capacity issues and the project entering into the implementation phase in 2016, the likelihood of the risk has increased from a 2 to a 3<sup>1</sup>. In the event of capacity causing delays to the project, a Financial Risk has been included within the budget for 16/17 to enable additional support to be acquired if needed.

### **8.1.2 Waste & Street Cleansing Contract Renewal**

This Top Risk has a number of sub-risks that record what the Council needs to consider such as the complex and evolving statutory environment for waste & recycling and changes in the disposal infrastructure and opportunities for collaborative working. The sub risk of “Sale of Materials” has an increased likelihood score (moving from a 2 to a 3) but the overall assessment of the main risk currently remains unaltered.

#### **Sale of Materials**

The income that the Council receives from the sale of commingled recycling has dropped over the past 12 months. A gate fee is now being charged to process the commingled recycling we collect from households. Previously we have been receiving an income for the sale of this processed material.. The income received or gate fee charged is calculated based on the compositional make up of the commingled material we send and global market prices. Prices in recent months have fallen sharply for some of the higher value products such as aluminium and steel cans having a significant impact on the ‘basket price calculated for our material. In addition our material composition has changed and includes a proportion of contamination which is costly to dispose of and in some instances for example food waste contamination can have a negative impact of the sale price of other products. A communications plan is being implemented to try to address contamination through better education of the consequences in the first instance.

8.2 The full risk entries for the Top Risks outlined in paragraph 8.1 are included in Appendix A. These risk entries detail the work completed and planned work to mitigate these risks.

8.3 Tables 1 and 2 illustrate the current and proposed changes to the Top Risks.

---

<sup>1</sup> A “3” likelihood assessment reflects that “The event will occur on numerous occasions (4 or more times) within the next 12 months”

**Table 1: Risk Matrix – Cabinet Risks December 2015**

|                   |                    |                 |  |  |
|-------------------|--------------------|-----------------|--|--|
| <b>likelihood</b> | <b>3</b><br>high   | 4               | <b>7</b><br>Sustainable Development of the District<br><br>Office Accommodation<br>(5) ↑ | <b>9</b><br>Local Plan<br><br>North Hertfordshire Museum & Hitchin Town Hall<br><br>Managing the Council's Finances<br><br>Increased Homelessness & use of B & B |
|                   | <b>2</b><br>medium | 2               | <b>5</b><br>Churchgate and the surrounding area<br><br>Asset Management                  | <b>8</b><br>Waste & Street Cleansing Contract Renewal  |
|                   | <b>1</b><br>low    | 1               | 3  | 6  |
|                   |                    | <b>1</b><br>Low | <b>2</b><br>Medium<br>Impact   | <b>3</b><br>High   |

**Table 2 – SMT Top Risks December 2015**

|                   |                    |                 |                                |                                     |
|-------------------|--------------------|-----------------|--------------------------------|-------------------------------------|
| <b>likelihood</b> | <b>3</b><br>high   | 4               | 7                              | 9                                   |
|                   | <b>2</b><br>medium | 2               | <b>5</b><br>Workforce Planning | <b>8</b><br>Development of Careline |
|                   | <b>1</b><br>low    | 1               | 3                              | 6                                   |
|                   |                    | <b>1</b><br>Low | <b>2</b><br>Medium<br>Impact   | <b>3</b><br>High                    |

## **9. RISK & OPPORTUNITIES MANAGEMENT STRATEGY & POLICY**

- 9.1 The Risk & Opportunities Management Strategy is not due for review at the present time as it covers the period 2014-17. However, due to the changes to the Objectives for 2016, the Strategy has been amended to note these. As this change is relatively minor and no fundamental changes are proposed to the risk management frame work at the Council, the revised Strategy has not been appended to this report.

## **10. LEGAL IMPLICATIONS**

- 10.1 No legal implications arise from this report. The Committee's Terms of Reference include "to monitor the effective development and operation of risk management and corporate governance, agree actions (where appropriate) and make recommendations to Cabinet." This report gives the Committee the opportunity to review and comment on the Top Risks and have they have and are proposed to be managed.

## **11. FINANCIAL IMPLICATIONS**

- 11.1 Any additional resources to complete risk management actions are included in the Corporate Business Planning process. There are no direct financial implications from this report.

## **12. RISK IMPLICATIONS**

- 12.1 The Risk & Opportunities Management Strategy requires the Finance Audit & Risk Committee to consider regular reports on the Council's Top Risks. Failure to provide the Committee with regular updates would be in conflict with the agreed Strategy and would mean that this Committee could not provide assurances to Cabinet that the Council's identified Top Risks are being managed.

## **13. EQUALITIES IMPLICATIONS**

- 13.1 The Equality Act 2010 came into force on the 1<sup>st</sup> October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5<sup>th</sup> April 2011. There is a General duty, described in 13.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 13.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 13.3 Reporting on the management of risk provides a means to monitor whether the council are meeting the stated outcomes of the district priorities, its targets or delivering accessible and appropriate services to the community to meet different people's needs. The risks of NHDC failing in its Public Sector Equality Duty are recorded on the Risk Register. The Council's risk management approach is holistic, taking account of commercial and physical risks. It should also consider the risks of not delivering a service in an equitable, accessible manner, and especially to its most vulnerable residents such as those who are homeless

## **14. SOCIAL VALUE IMPLICATIONS**

- 14.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at Paragraph 13.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 15.1 There are no direct Human Resource implications arising from this report, but it should be noted that there is a separate Top Risk relating to Workforce Planning.

## **16. APPENDICES**

- 16.1 Appendix A – The Top Risks of Office Accommodation and the sub-risk to the Waste & Street Cleansing Contract of Sale of Materials.

## **17. CONTACT OFFICERS**

- 17.1 Fiona Timms  
Performance & Risk Manager  
[fiona.timms@north-herts.gov.uk](mailto:fiona.timms@north-herts.gov.uk)  
01462 474251

Andy Cavanagh  
Head of Finance, Performance & Asset Management  
[andrew.cavanagh@north-herts.gov.uk](mailto:andrew.cavanagh@north-herts.gov.uk)

Kerry Shorrocks  
Corporate Manager HR  
[kerry.shorrocks@north-herts.gov.uk](mailto:kerry.shorrocks@north-herts.gov.uk)

Vaughan Watson  
Head of Leisure & Environmental Services  
[vaughan.watson@north-herts.gov.uk](mailto:vaughan.watson@north-herts.gov.uk)

Liz Green  
Head of Policy and Community Services  
[liz.green@north-herts.gov.uk](mailto:liz.green@north-herts.gov.uk)  
01462 474230

## **18. BACKGROUND PAPERS**

- 18.1 The risks held on Covalent the Council's Performance and Risk Management IT system.
- 18.2 The Risk & Opportunities Management Strategy 2014-17.